



MARTHA COAKLEY
ATTORNEY GENERAL

THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE ATTORNEY GENERAL
ONE ASHBURTON PLACE
BOSTON, MASSACHUSETTS 02108

(617) 727-2200
(617) 727-4765 TTY
www.mass.gov/ago

Testimony of Attorney General Martha Coakley
Expanded Gaming in the Commonwealth
Joint Committee on Economic Development and Emerging Technologies
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Good morning Chairwoman Spilka, Chairman Wagner, and members of the Joint Committee.

Thank you for the opportunity to join you today to comment on the various proposals to expand gaming in the Commonwealth.

Since 2009, I have had the opportunity to testify before two separate committees on this topic. At those hearings, I expressed my belief that in order for the Legislature to effectively implement legalized gaming in the Commonwealth, it must set forth the proper structures and tools to ensure that the public is protected, including: (1) a comprehensive regulatory and licensing regime; and (2) public protection mechanisms for law enforcement, consumer protection and public health.

I would like to reiterate that message to the Committee here today and offer specific considerations, recommendations and updates.

Regulatory Structure/Licensing/Oversight

We must consider whether legislation to legalize gambling will designate an executive agency or an independent commission to regulate gambling entities. If the Legislature chooses to establish an independent commission, care must be taken to consider how that commission/agency is structured and steps must be taken to protect against conflicts of interest in

commission members.

We should also examine whether additional ethics protections are needed for gambling regulators above and beyond those already in our state ethics laws. For example, in Michigan, gambling regulators are subject to an independent set code of ethics. Moreover, as you analyze the process for licensing, please consider what type of details the legislation should provide for the licensing process. For example, are locations of gambling venues established in the legislation itself, or by the commission/agency? What types of qualifications should bidders be required to meet to bid for a license? And what rules are needed to ensure that companies with poor records do not bid?

Other things to consider are the types of background checks that should be required for employees of gambling facilities, the types of financial audits and other oversight that should be required of gambling facilities, and processes for debarment or de-licensing of a gambling facility for serious violations.

Law Enforcement Tools: Economic Crimes Bill

In addition to the regulatory mechanisms, it is also critical that we have the statutory structures in place to address the types of financial and other crimes that may be associated with legalized gambling. My office has filed legislation that we believe will provide law enforcement with the tools to most effectively combat this criminal activity. The bill, *An Act to Combat Economic Crime*, includes the crimes of money laundering and enterprise crimes, and proposes much needed updates to our wire interception law. Today, as you grapple again with the various expanded gambling proposals, I am here to reiterate my belief that any expanded gambling legislation must include the provisions of this Economic Crimes bill.

Money laundering involves concealing the source of illegally obtained money, and is

prohibited by federal law and in 28 states across the country. This activity has proven to be critical in the furtherance of large-scale, illegal enterprises such as terrorism, narcotics trafficking and other organized crime, and is particularly prevalent where casino gaming is legal, as enormous sums of money flow through these facilities. Among other measures, the bill makes it a crime to knowingly engage in a financial transaction derived from criminal activity with the intent to promote, carry on, or facilitate criminal activity.

The legislation also focuses on traditional and non-traditional criminal enterprises and organizations, including so-called organized crime families and traditional street gangs, identity theft rings, large-scale drug, gun and human trafficking groups. Many of these organizations have sophisticated structures and extensive supporting networks, allowing them to engage in such criminal activities as money laundering, illegal gaming, running drugs and firearms, credit card and identity theft, and other types of fraud. The bill will prohibit patterns of certain crimes committed by corrupt enterprises, allowing the ring leaders and major players, who control and direct the enterprise but often do not partake in the actual commission of the crime, to be deterred and held accountable, as does federal law and 32 states across the country. Like money laundering, we are sure to experience a rise in these enterprises should the Legislature legalize gambling in the Commonwealth.

The last provision of my Economic Crimes bill updates our wire interception law, which was last amended in 1968. In the 40 years since then, there have been many changes in our society, both in technology and the sophisticated way in which criminals work. We must acknowledge these advances and make appropriate updates to our laws, while at the same time ensuring that people's rights are protected. Even the Supreme Judicial Court acknowledged in a recent decision that the wire intercept law is antiquated and must be updated. By making minor updates

to the current law, and mandating judicial approval for wiretaps involving one-party consent, we strike the right balance. I therefore urge you to include the wiretap updates in any expanded gambling bill you may pass.

Finally, I will reiterate my testimony of two years ago about the cost of this endeavor: All of these structures, oversight mechanisms, and law enforcement and public health considerations will cost money. Without estimating costs of operating a gambling commission/agency and a licensing regime, of overseeing gambling operations, enforcing gaming violations, and protecting public health, we cannot fully estimate the benefit of gambling to Massachusetts. Funding streams should be dedicated for the various consumer protections that the legislation calls for, such as the provisions for substance abuse treatment, exclusion lists, and financial auditing of licensees as well as the regulatory entity itself. We should be careful not to underestimate such costs, as we must be prepared to adequately pay them.

If the Legislature does move forward with legalized gambling in the Commonwealth, our office will work to ensure that the regulatory oversight system and the gaming business itself is operating with highest level of public integrity and fairness.

I am happy to work with you and your colleagues as you hear from other stakeholders to ensure that any final legislation has the most comprehensive and effective regulatory and public protection mechanisms possible. Thank you.